



DEPARTMENT OF
FINANCE
OFFICE OF THE DIRECTOR

GAVIN NEWSOM - GOVERNOR
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April 9, 2019

Ms. Kelly McAdoo, City Manager
City of Hayward
777 B Street
4th Floor-CMO
Hayward, CA 94541

Dear Ms. McAdoo:

Subject: 2019-20 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Hayward Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period of July 1, 2019 through June 30, 2020 (ROPS 19-20) to the California Department of Finance (Finance) on January 28, 2019. Finance has completed its review of the ROPS 19-20.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item Nos. 48 and 82 – Obligations related to the Reentered Repayment Agreement with City of Hayward in the outstanding amounts of \$5,799,019 and \$2,330,457, respectively, have been adjusted as noted below:
 - Item No. 48 – In compliance with the court order in the matter of *the City of Hayward and Successor Agency to Redevelopment Agency of the City of Hayward, et al. v. Cohen et al. (Case No. 34-2018-80002804)*, Finance has adjusted the reported outstanding balance from \$5,799,019 by \$2,220,000 to \$8,019,019. Finance is approving the requested \$800,000 in Redevelopment Property Tax Trust Fund (RPTTF) for the ROPS 19-20 period, which will result in cumulative payments of \$4,000,000. The Agency should continue to update the outstanding loan balance on subsequent ROPS to reflect the loan repayments and provide supporting documentation for the outstanding balance.
 - Item No. 82 – The requested amount of \$2,330,457 consists of the \$2,220,000 principal adjustment noted in the bullet above and accrued interest. Finance has adjusted the outstanding balance for Item No. 48; therefore, this separate request under this item is not necessary. As a result, the outstanding balance and requested amount of \$2,330,457 in RPTTF funding have been adjusted to zero. Further, this item has been retired.
- Item No. 64 – Housing Authority Administrative Allowance in the outstanding amount of \$150,000 is not allowed. Finance continues to deny this item. Pursuant to HSC section 34171 (p), the housing successor administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the

Redevelopment Agency (RDA) elected to not assume the housing functions. Because the housing successor to the former RDA of the City is the City-formed Housing Authority (Authority) and the Authority operates under the control of the City, the Authority is considered the City pursuant to HSC section 34167.10. Further, pursuant to HSC section 34171 (p) (1), funding for housing entity administrative cost allowance concluded July 1, 2018. Therefore, the requested \$150,000 in Administrative RPTTF funding is not allowed.

- Item No. 73 – Cinema Place Environmental Remediation in the outstanding amount of \$3,000 is not allowed. The Agency indicated the agreement ended in June 2016 and payment was no longer necessary. Therefore, with the Agency's concurrence, the item has been retired and the requested amount of \$3,000 from Other Funds is not allowed.
- Item No. 81 – Attorney Fee's Recovery in the amount of \$150,000 is partially allowed. The Agency provided attorney's invoices totaling \$139,260. Therefore, of the requested \$150,000, \$139,260 is allowed and the excess \$10,740 (\$150,000 - \$139,260) is not eligible for RPTTF funding.
- On the ROPS 19-20 form, the Agency reported cash balances and activity for the period July 1, 2016 through June 30, 2017 (ROPS 16-17). According to our review, the Agency has approximately \$318,818 from Reserve Balances, available to fund enforceable obligations on the ROPS 19-20. HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF. Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified in the amount specified below:
 - Item No. 48 – Reentered Repayment Agreement in the amount of \$800,000 is partially reclassified. This item does not require payment from property tax revenues. Therefore, Finance is approving RPTTF in the amount of \$481,182 and the use of Reserve Balances in the amount of \$318,818, totaling \$800,000.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations. Reported differences in RPTTF are used to offset current RPTTF distributions. The amount of RPTTF approved in the table on Page 4 includes the prior period adjustment resulting from the County Auditor-Controller's review of the prior period adjustment form submitted by the Agency.

Except for the items adjusted, Finance is not objecting to the remaining items listed on the ROPS 19-20. If the Agency disagrees with our determination with respect to any items on the ROPS 19-20, except items which are the subject of litigation disputing our previous or related determinations, the Agency may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available on our website:

<http://dof.ca.gov/Programs/Redevelopment/Meet And Confer/>

The Agency's maximum approved RPTTF distribution for the reporting period is \$4,108,734 as summarized in the Approved RPTTF Distribution table on Page 4 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1 through December 31 period (ROPS A period), and one distribution for the January 1 through June 30 period (ROPS B period) based on Finance approved amounts. Since this determination is for the entire ROPS 19-20 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 19-20. This determination only applies to items when funding was requested for the 12-month period. If a denial by Finance in a previous ROPS is currently the subject of litigation, the item will continue to be denied until the matter is resolved.

The ROPS 19-20 form submitted by the Agency and this determination letter will be posted on our website:

<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

This determination is effective for the ROPS 19-20 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items is limited to confirming the scheduled payments as required by the obligation.

The amount available from RPTTF is the same as the amount of property tax increment available prior to the enactment of redevelopment dissolution law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in RPTTF.

Please direct inquiries to Cindie Lor, Supervisor, or Sarah Krtil, Lead Analyst, at (916) 322-2985.

Sincerely,



JENNIFER WHITAKER
Program Budget Manager

cc: Mr. Dustin Claussen, Acting Finance Director, City of Hayward
Ms. Carol S. Orth, Tax Analysis, Division Chief, Alameda County

Attachment

Approved RPTTF Distribution For the period of July 1, 2019 through June 30, 2020			
	ROPS A Period	ROPS B Period	ROPS 19-20 Total
RPTTF Requested	\$ 4,971,422	\$ 1,665,865	\$ 6,637,287
Administrative RPTTF Requested	200,000	200,000	400,000
Total RPTTF Requested	5,171,422	1,865,865	7,037,287
RPTTF Requested	4,971,422	1,665,865	6,637,287
<u>Adjustments</u>			
Item No. 48	(318,818)	0	(318,818)
Item No. 81	(10,740)	0	(10,740)
Item No. 82	(2,330,457)	0	(2,330,457)
	(2,660,015)	0	(2,660,015)
RPTTF Authorized	2,311,407	1,665,865	3,977,272
Administrative RPTTF Requested	200,000	200,000	400,000
<u>Adjustment</u>			
Item No. 64	(75,000)	(75,000)	(150,000)
Administrative RPTTF Authorized	125,000	125,000	250,000
Total RPTTF Authorized for Obligations	2,436,407	1,790,865	4,227,272
Prior Period Adjustment	(118,538)	0	(118,538)
Total RPTTF Approved for Distribution	\$ 2,317,869	\$ 1,790,865	\$ 4,108,734